

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Unit Name		County	
Fiscal Year End		Opinion Date			Date Audit Report Submitted to State		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

Financial Statements
Barry County Community
Mental Health Authority

Hastings, Michigan

September 30, 2007



Barry County Community Mental Health Authority
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September 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Barry County Community Mental Health Authority
Hastings, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Barry County Community Mental Health Authority (the Authority), as of and for the year ended September 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Authority as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2008, on our consideration of the Authority's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplemental financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Roslund, Prestage & Co, PC".

Roslund, Prestage & Company, P.C.
Certified Public Accountants

February 21, 2008

MANAGEMENT'S DISCUSSION and ANALYSIS



Management's Discussion and Analysis

For the fiscal year ended September 30, 2007

Management of Barry County Community Mental Health Authority (BCCMHA) presents the following discussion and analysis of financial activities during fiscal year 2006/2007. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities, and to identify material changes in financial position and results of operations. Please read this section in conjunction with the auditor's report and with our financial statements, notes to financial statements and supplemental information.

Beginning October 1, 2002, the Medicaid funds for Barry, as well as, Berrien, Branch, Calhoun, and Van Buren counties were paid to Calhoun County, D.B.A. Summit Pointe. Summit Pointe entered into a contract with the Michigan Department of Community Health (MDCH) to administer the above Medicaid funds for behavioral health services. Summit Pointe continued to operate as a Prepaid Inpatient Health Plan (PIHP) in fiscal year 2006/2007. Summit Pointe Board delegated the administration of the regional Medicaid contract to the Venture Administrative Board. The Venture Administrative Board consists of two voting members, the Chief Executive Officer and Board member or designee, from each of the five member counties and operates under the terms of the Intergovernmental Agreement for the Transfer of Functions and Responsibilities (ITRFA).

BCCMHA continued to contract with the Michigan Department of Community Health for the State General Fund services and Summit Pointe for Medicaid services for the priority population residing in Barry County. BCCMHA also continued to provide behavioral health services to other segments of population.

OVERVIEW OF FINANCIAL STATEMENTS

Basic financial statements, in accordance with generally accepted accounting principles (GAAP) - GASB 34, require the presentation of two types of financial statements. These are government-wide financial statements and fund financial statements.

Government-wide financial statements include the statement of net assets and the statement of activities. These provide both long-term and short-term information, and present a broad view of the overall financial status in a manner similar to a private sector business. Information presented in these statements is on the accrual basis of accounting. Long-term assets are capitalized and depreciated. Long-term debt is recorded as a liability. Revenues are recorded when "earned" and expenses recorded when "incurred", without regard to the timing of cash receipts or disbursement.

Management's Discussion and Analysis

For the fiscal year ended September 30, 2007

The statement of net assets includes all of the assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of improving or deteriorating financial position. The statement of activities presents information showing how net assets changed during the year as a result of operating activity.

Fund financial statements contain individual groups of related accounts and are used to report current assets, current liabilities, fund balance, revenues and expenditures for specific activities or funds segregated for legal requirements or other governmental objectives. These are presented in more detail as compared to the government-wide statements. The fund financial statements are reported on the modified accrual basis of accounting. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized only to the extent that they are normally expected to be paid with current financial resources. Purchased capital assets are reported as expenditures in the year of acquisition. Issuance of debt is recorded as a financial resource with current year payment of principal and interest recorded as an expenditure.

Fund financial statements are divided into two categories. These are special revenue fund financial statements and proprietary fund financial statements.

Special revenue fund financial statements show how the community mental health supports and services programs were financed in the short term as well as what remains for future spending.

Proprietary fund financial statements show internal service funds reserved for risk management. These funds are held as a self-funded insurance risk reserve to protect against unanticipated current and future financial exposures related to supports and services at-risk contracts.

Management's Discussion and Analysis

For the fiscal year ended September 30, 2007

Strength of Financial Position

Changes in financial position which help ensure the agency's future ability to provide services are:

	Balance at 10/1/2006	Increase (Decrease)	Balance at 9/30/07
Internal Service Funds			
Total Internal Service Funds	<u>\$128,557</u>	<u>(\$72,364)</u>	<u>\$ 56,193</u>
General Fund			
Fund Balance			
Reserved	66,685	(1,650)	65,035
Unreserved	<u>506,910</u>	<u>212,096</u>	<u>719,006</u>
Total Fund Balance	\$573,595	\$210,446	\$784,041

The Internal Service Funds together with the unrestricted fund balance of the General Funds represent an estimated 50.4 days of operations based on daily operational needs. This is an increase of 5.9 days over fiscal year 2006.

A crosswalk for the government - wide statement of net assets to the fund financial statements is included with this document as Appendix A. This statement gives a breakdown of what comprises the government-wide calculations for Assets, Liabilities, and Total Net Assets and Fund Balance. As the statement notes, the Total Net Assets and Fund Balance is \$806,198 which is an increase of \$66,539 over fiscal Year 2006.

BCCMHA remains in good financial condition based on the above information. Due to prudent budget control, the overall financial position has continued to improve on a yearly basis.

SUMMARY OF ACTIVITIES

Fiscal year 2007 revenues were \$5,785,560 compared to fiscal year 2006 revenues of \$5,405,931. This increase was mainly attributable to an increase in Medicaid funding due to increased persons eligible for service. Fiscal year 2007 expenses were \$5,654,770 compared to fiscal year 2006 expenses of \$5,322,722. This increase was attributed to several things including added staff positions, annual salary increases, increase in business costs due to inflation, and an increase in number of services provided.

Management's Discussion and Analysis

For the fiscal year ended September 30, 2007

Regional Medicaid revenues exceeded expenditures by \$161,856. These funds will be returned to Summit Pointe as the Venture Host Board in an effort to maximize Medicaid savings for the region in fiscal year 2007.

BCCMHA General Fund revenues exceeded expenditures by \$41,536 which represents carryforward for fiscal year 2008. These carryforward funds must be spent in fiscal year 2008. The Internal Service Fund (ISF) earned \$4,121 in interest. \$76,485 was abated according to DCH guidelines and expended on consumer services and carryforward for 2008. The fund stands at \$56,193. The ISF is currently funded according to DCH requirements based on state inpatient facility usage.

Local funds (patient service revenues, interest income, and other) exceeded local match obligations by \$38,501. Local match surplus contributed to the increase of unreserved fund balance.

BCCMHA had five consumers enrolled in the Habilitation Supports waiver program through Medicaid. This program allows for additional services and funding for consumers residing in specialized residential homes who would otherwise reside in an institution. This provided \$273,207 in additional funding for fiscal year 2007 compared to \$262,683 for fiscal year 2006.

The Adult Benefit Waiver was introduced as a new funding stream in 2004. This category provides benefit to consumers who were originally covered under the Medicaid State Medical plan. This plan allows coverage of a list of selected services. BCCMHA received funding for fiscal year 2007 of \$133,995 compared to fiscal year 2006 of \$145,609. Expenditures on this population for fiscal year 2007 were \$69,644 compared to fiscal year 2006 spending of \$53,171.

In fiscal year 2007, BCCMHA continued to invest in certificates of deposit in an effort to maximize interest. A laddering system was again used to allow maximum investing without restricting large amounts of agency cash. Total interest earned during the year was \$36,382 compared to fiscal year 2006 earnings of \$25,343.

In fiscal year 2007, purchases were kept to a minimum due to increased spending for services and uncertainty with the state budget. Minor purchases were made as necessary to ensure consistent flow of operations. Conservative spending proved helpful as \$40,000 in general fund was removed from the allocation in the last quarter of the fiscal year. The agency was forced to abate a portion of the Internal Service Fund to ensure compliance to modified DCH regulations. This abatement was used to fund services and establish a small carryforward for 2008.

Management's Discussion and Analysis

For the fiscal year ended September 30, 2007

BCCMHA continued a conservative fiscal approach throughout 2007 however, the agency was able to make necessary purchases to maintain operations and meet the demand for services. BCCMHA served 1672 in fiscal year 2007 compared to 1589 in fiscal year 2006

FUTURE OUTLOOK

The state of Michigan's budget situation continues to have a strong effect on the operations at BCCMHA. The mental health system, in general, has continued to react to budget reductions and reallocations for the past several years. BCCMHA has, and will continue to have, a conservative budget stance. The agency will continue to take whatever steps are necessary to ensure that services to consumers remain the primary focus of operations. While 2008 promises to be a challenging budget year, it is hoped that the income tax increase and spending changes at the state level will allow funding to be reinstated to the prior level or higher and that the remaining funding within the system will be allocated in an equitable manner that will benefit the consumers that BCCMHA serves.

BCCMHA continues to be a fiscally healthy agency. Conservative spending, a focus on quality consumer care, and dedication to compliance have ensured that the agency continues to remain in a positive position. The agency will continue into fiscal year 2008 with its characteristic conservative attitude in an effort to maximize benefits to those we serve.

Crosswalk: Government-wide Statement of Net Assets to Fund Financial Statements

	Government Wide		General Fund	Governmental Activities/ISF	Fixed Assets	Long-term Debt
Assets						
Current Assets						
Cash and cash equivalents	1,208,944		1,076,266	<u>132,678</u>		
Accounts receivable	13,717		13,717			
Due from other governmental units	128,818		128,818			
Due from other funds			76,485			
Prepaid items	<u>65,035</u>		<u>65,035</u>			
Total current assets	<u>1,416,514</u>		<u>1,360,321</u>	<u>132,678</u>		
Noncurrent assets						
Capital assets - depreciable, net	<u>121,588</u>				<u>121,588</u>	
Total Assets	<u>1,538,102</u>		<u>1,360,321</u>	<u>132,678</u>	<u>121,588</u>	
Liabilities						
Current liabilities						
Accounts Payable	226,107		226,107			
Accrued wages and other payroll liabilities	103,352		103,352			
Deferred Revenue	41,536		41,536			
Due to other governmental units	<u>205,285</u>		<u>205,285</u>			
Due to other funds				<u>76,485</u>		
Total current liabilities	<u>576,280</u>		<u>576,280</u>	<u>76,485</u>		
Noncurrent liabilities						
Compensated absences	<u>155,624</u>					<u>155,624</u>
Total Noncurrent Liabilities	<u>155,624</u>					
Total Liabilities	<u>731,904</u>		<u>576,280</u>	<u>76,485</u>		<u>155,624</u>
Net Assets/Fund Balance						
Invested in capital assets, net of related debt	121,588				121,588	
Reserved for risk management	56,193			<u>56,193</u>		
Reserved for prepaid items			65,035			
Unrestricted	<u>628,417</u>		<u>719,006</u>			
Total Net Assets/Fund Balance	<u>806,198</u>		<u>784,041</u>	<u>56,193</u>	<u>121,588</u>	<u>155,624</u>

BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE FINANCIAL STATEMENTS



Barry County Community Mental Health Authority
Statement of Net Assets
September 30, 2007 and 2006

	Governmental Activities	
	2007	2006
Assets		
Current assets		
Cash and cash equivalents	\$1,208,944	\$1,265,513
Accounts receivable	13,717	1,313
Due from other governmental units	128,818	36,929
Prepaid items	65,035	66,685
Total current assets	1,416,514	1,370,440
Noncurrent assets		
Capital assets - depreciable, net	121,588	172,877
Total assets	1,538,102	1,543,317
Liabilities		
Current liabilities		
Accounts payable	226,107	211,773
Accrued wages and other payroll liabilities	103,352	90,441
Deferred revenue	41,536	85,704
Due to other governmental units	205,285	280,370
Total current liabilities	576,280	668,288
Noncurrent liabilities		
Compensated absences	155,624	135,370
Total noncurrent liabilities	155,624	135,370
Total liabilities	731,904	803,658
Net Assets		
Invested in capital assets, net of related debt	121,588	172,877
Restricted for risk management	56,193	128,557
Unrestricted	628,417	438,225
Total net assets	\$806,198	\$739,659

See Accompanying Notes To Financial Statements

Barry County Community Mental Health Authority
Statement of Activities
For the Year Ended September 30, 2007, With Comparative Data

Functions	Program Revenues			Net (Expense) Revenue and Changes Net Assets	2006
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental activities					
Health & Welfare - Mental Health	<u>\$5,726,313</u>	<u>\$3,527,558</u>	<u>\$2,221,620</u>	\$22,865	\$83,211
General revenues					
Unrestricted investment earnings				36,382	25,343
Restricted investment earnings				<u>4,121</u>	<u>1,662</u>
Total general revenues and contributions				<u>40,503</u>	<u>27,005</u>
Change in net assets				63,368	110,216
Net assets - beginning of year				739,659	627,653
Prior period adjustment				<u>3,171</u>	<u>1,790</u>
Net assets - end of year				<u>\$806,198</u>	<u>\$739,659</u>

See Accompanying Notes To Financial Statements

FUND FINANCIAL STATEMENTS



Barry County Community Mental Health Authority
Balance Sheet
Governmental Funds
September 30, 2007 and 2006

	General Fund	
	2007	2006
Assets		
Cash and cash equivalents	\$1,076,266	\$1,135,836
Accounts receivable	13,717	1,313
Due from other governmental units	128,818	36,929
Due from other funds	76,485	1,120
Prepaid items	65,035	66,685
Total assets	<u>\$1,360,321</u>	<u>\$1,241,883</u>
Liabilities		
Accounts payable	\$226,107	\$211,773
Accrued wages and other payroll liabilities	103,352	90,441
Deferred revenue	41,536	85,704
Due to other governmental units	205,285	280,370
Total liabilities	<u>576,280</u>	<u>668,288</u>
Fund balances		
Reserved for prepaid items	65,035	66,685
Unreserved	719,006	506,910
Total fund balances	<u>784,041</u>	<u>573,595</u>
Total liabilities and fund balances	<u>\$1,360,321</u>	<u>\$1,241,883</u>

See Accompanying Notes To Financial Statements

Barry County Community Mental Health Authority
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets
For the Year Ended September 30, 2007

Total fund balance - governmental funds	\$784,041
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds.

Add: capital assets	404,436
Deduct: accumulated depreciation	(282,848)

An internal service fund is used by management to cover the risk of
overspending the Managed Care Specialty Services Program contract.
The assets and liabilities of the internal service fund are included in
governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in the internal service fund	56,193
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Some liabilities are not due and payable in the current period and,
therefore, are not reported in the funds. Those liabilities consist of:

Deduct: compensated absences	(155,624)
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Net assets of governmental activities	<u><u>\$806,198</u></u>
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See Accompanying Notes To Financial Statements

Barry County Community Mental Health Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Years Ended September 30, 2007 and 2006

Revenues	<u>2007</u>	<u>2006</u>
State grants		
Department of Community Health Contract		
General Fund Formula and Categorical	\$1,697,761	\$1,700,499
Adult Benefit Waiver	133,995	145,609
Other state grants	154,874	41,219
Total state grants	<u>1,986,630</u>	<u>1,887,327</u>
 Federal grants	 <u>10,323</u>	 <u>11,496</u>
 Contributions - local units		
County appropriations	<u>154,500</u>	<u>154,500</u>
 Charges for services		
Medicaid	3,411,903	3,224,086
Client and third party pay	115,655	92,244
Total charges for services	<u>3,527,558</u>	<u>3,316,330</u>
 Interest and rents		
Interest	<u>36,382</u>	<u>25,343</u>
 Other revenue		
Miscellaneous	<u>70,167</u>	<u>10,935</u>
 Total revenues	 5,785,560	 5,405,931
 Expenditures		
Health & Welfare - Mental Health		
Personnel costs	2,883,191	2,481,775
Operating expenditures	2,744,902	2,771,617
Capital outlay	<u>26,677</u>	<u>69,330</u>
 Total expenditures	 <u>5,654,770</u>	 <u>5,322,722</u>
 Revenues over (under) expenditures	 130,790	 83,209
 Other financing sources (uses)		
Operating transfers in - Internal Service Fund	<u>76,485</u>	<u>1,120</u>
 Revenues and other sources over (under) expenditures and other uses	 207,275	 84,329
 Fund balance, beginning of year	 573,595	 487,476
 Prior period adjustment	 <u>3,171</u>	 <u>1,790</u>
 Fund balance, end of year	 <u><u>\$784,041</u></u>	 <u><u>\$573,595</u></u>

See Accompanying Notes To Financial Statements

Barry County Community Mental Health Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2007

Net change in fund balances - total governmental funds	\$130,790
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense.

Add: capital outlay	26,677
Deduct: depreciation expense	(61,514)
Deduct: loss on disposal of capital assets	(16,452)

An internal service fund is used by management to cover the risk of
overspending the Managed Care Specialty Services Program contract.
The interest income of that fund is reported with governmental activities.

Add: interest income	4,121
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Some expenses reported in the statement of activities do not require the
use of current financial resources and therefore are not reported as
expenditures in the funds.

Deduct: increase in accrual for compensated absences	<u>(20,254)</u>
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Change in net assets of governmental activities	<u><u>\$63,368</u></u>
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See Accompanying Notes To Financial Statements

Barry County Community Mental Health Authority
Statement of Net Assets
Proprietary Funds
September 30, 2007 and 2006

	<u>Internal Service Funds</u>	
	<u>2007</u>	<u>2006</u>
Assets		
Cash and cash equivalents	<u>\$132,678</u>	<u>\$129,677</u>
Liabilities		
Due to other funds	<u>76,485</u>	<u>1,120</u>
Net assets		
Restricted	<u><u>\$56,193</u></u>	<u><u>\$128,557</u></u>

See Accompanying Notes To Financial Statements

Barry County Community Mental Health Authority
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Years Ended September 30, 2007 and 2006

	<u>Internal Service Funds</u>	
	<u>2007</u>	<u>2006</u>
Non-operating revenues		
Interest income	<u>\$4,121</u>	<u>\$1,662</u>
Operating transfers		
Operating transfers out - General Fund	<u>(76,485)</u>	<u>(1,120)</u>
Change in net assets	(72,364)	542
Net assets, beginning of year	<u>128,557</u>	<u>128,015</u>
Net assets, end of year	<u><u>\$56,193</u></u>	<u><u>\$128,557</u></u>

See Accompanying Notes To Financial Statements

Barry County Community Mental Health Authority
Statement of Cash Flows
Proprietary Funds
For the Years Ended September 30, 2007 and 2006

	<u>Internal Service Funds</u>	
	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Internal activity - operating transfers out	<u>(\$1,120)</u>	<u>-</u>
Net cash provided by operating activities	(1,120)	-
Cash flows from investing activities		
Interest income	<u>4,121</u>	<u>\$1,662</u>
Net cash provided by investing activities	4,121	1,662
Net increase in cash	3,001	1,662
Cash and cash equivalents, beginning of year	<u>129,677</u>	<u>128,015</u>
Cash and cash equivalents, end of year	<u><u>\$132,678</u></u>	<u><u>\$129,677</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	(\$76,485)	(\$1,120)
Change in assets and liabilities		
Due to other funds	<u>75,365</u>	<u>1,120</u>
Cash flows from operating activities	<u><u>(\$1,120)</u></u>	<u><u>-</u></u>

See Accompanying Notes To Financial Statements

NOTES TO THE FINANCIAL STATEMENTS



Barry County Community Mental Health Authority
Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Barry County Community Mental Health Authority (the Authority) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Authority.

Reporting Entity

The Authority operates as a Community Mental Health Authority under the provisions of Act 258 - Public Acts of 1974, as amended. The Authority provides funding for services in the areas of mental illness, developmental disabilities, and other related mental health needs for residents of Barry County.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Authority's reporting entity, and which organizations are legally separate, component units of the Authority. Based on the application of the criteria, the Authority does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues.

Barry County Community Mental Health Authority
Notes to the Financial Statements

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. An exception to the "60 day" rule is the recognition of certain patient fee revenues and the related receivables. The Authority has elected to recognize these revenues on the cash basis of accounting, which is in compliance with the Department of Community Health's revenue recognition formula. The difference between the cash basis of accounting and modified accrual basis of accounting for these revenues are not material to the financial statements. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Proprietary Fund Financial Statements – The financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Barry County Community Mental Health Authority
Notes to the Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the internal service fund are charges to other funds for insurance services. Operating expenses for internal service funds include the cost of claims, administration and reinsurance. Any revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Authority reports the following major governmental and proprietary funds:

Governmental Funds

General Fund – This fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in other funds.

Proprietary Funds

Internal Service Fund - This fund represents amounts set aside to fund the net uninsured exposure of potential shortfalls of contract revenues.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Comparative Data

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in financial position and operations. Also, certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

Barry County Community Mental Health Authority
Notes to the Financial Statements

Budgetary Data

The Authority adopts an annual budget for the general fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from Barry County and Summit Pointe.

Receivables and Payables between Funds

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e. the current portion of interfund loans) or "advances to / from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Barry County Community Mental Health Authority
Notes to the Financial Statements

Inventories

The Authority does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The Authority does not have infrastructure type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Authority are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Computer Equipment	5
Furniture and Fixtures	5 – 15
Office Equipment	5 – 10
Vehicles	5

Barry County Community Mental Health Authority
Notes to the Financial Statements

Inpatient / Residential Cost Liability

The amount recorded for inpatient / residential liability is based on management's estimate. This estimate is based on 1) the number of clients at each facility, 2) the number of days each client is at each facility, and 3) the daily rate charged for each facility.

The Authority does not receive actual billings for these services until several months after the service date. Therefore, the liability is not liquidated within the normal 60 day period after year end. Also, the actual cost may vary from the estimated due to reimbursements from third party payors that are applied to the total cost before the billings are sent to the Authority. This liability is included in accounts payable and due to other governmental units.

Deferred Revenue

Deferred revenue arises when resources are received by the Authority before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the fund financial statements and government-wide financial statements, and revenue is recognized.

Governmental Fund – Fund Balance Reserves and Designations

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use. The reserves for related assets such as prepaid items are examples of the former. Reserves for risk management are examples of the latter.

MDCH Revenue

General Fund Revenue

The Authority provides mental health services on behalf of the Michigan Department of Community Health (MDCH). Currently, the Authority contracts directly with the MDCH for General Fund revenues to support the services provided for priority population residing in Barry County.

Medicaid Revenue

Also, the Authority contracts to receive Medicaid revenue through Summit Pointe for Medicaid-qualified services rendered to residents of Barry County. Summit Pointe contracts with the MDCH to administer these Medicaid funds.

Barry County Community Mental Health Authority
Notes to the Financial Statements

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted at the function level and on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The Authority does not maintain a formalized encumbrance accounting system. The budgeted revenues and expenditures, as presented in this report, include any authorized amendments to the original budget as adopted.

Excess of Expenditures over Appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended September 30, 2007, the Authority incurred expenditures in excess of the amounts appropriated as shown on the back of this report.

NOTE 3 – DETAIL NOTES

Cash and Cash Equivalents

At September 30, the carrying amount of the Authority's cash and cash equivalents are as follows:

	2007	2006
Petty Cash	\$360	\$557
Cash deposits	708,584	864,956
Certificates of deposit	500,000	400,000
Totals	\$1,208,944	\$1,265,513

Barry County Community Mental Health Authority
Notes to the Financial Statements

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. At September 30, 2007, the carrying amount of the Authority's deposits was \$1,208,584, and the bank balance was \$1,252,596. Of the bank balance, \$200,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Investments

State statutes authorize the Authority to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments. As of September 30, 2007, the Authority had no such investments.

The Authority's investment policy complies with the state statutes and has no additional investment policies that would limit its investment choices.

Interest Rate Risk – Investments

Under state statutes, investment in commercial paper is limited to maturities of not more than 270 days after the date of purchase. The Authority's investment policy does not place any further limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of its investments that are in the possession of an outside party. The Authority requires all security transactions, including collateral for repurchase agreements, to be made on a cash basis or a delivery vs. payment basis. Securities may be held by a third party custodian and must be evidenced by safekeeping receipts. The Authority does not have any additional policies for custodial credit risk over investments.

Barry County Community Mental Health Authority
Notes to the Financial Statements

Credit Risk

State statutes limit investments in commercial paper to be rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks. The Authority's investment policy limits investments to be made with prudent judgment as to the safety of the invested capital and probable outcome of income.

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer.

Due from Other Governmental Units

Due from other governmental units as of September 30, consists of the following:

	2007	2006
MDCH – Juvenile Justice Grant	-	\$4,277
MDCH – Other Revenue Sources	\$17,511	5,121
Barry County	86,703	1,069
Summit Pointe	24,604	26,462
Totals	\$128,818	\$36,929

Barry County Community Mental Health Authority
Notes to the Financial Statements

Capital Assets

A summary of changes in the Authority's capital assets follows:

ASSETS	Beginning Balance	Additions	Disposals	Ending Balance
Computer Equipment	\$196,202	\$11,453	(\$26,098)	\$181,557
Furniture and Fixtures	61,345	3,307	-	64,652
Office Equipment	80,289	-	(12,324)	67,965
Vehicles	78,345	11,917	-	90,262
Sub-totals	416,181	26,677	(38,422)	404,436
ACCUMULATED DEPRECIATION				
Computer Equipment	(127,230)	(32,087)	7,335	(151,982)
Furniture and Fixtures	(37,362)	(4,850)	-	(42,212)
Office Equipment	(62,514)	(7,816)	14,635	(55,695)
Vehicles	(16,198)	(16,761)	-	(32,959)
Sub-totals	(243,304)	(61,514)	21,970	(282,848)
Totals	\$172,877	(\$34,837)	(\$16,452)	\$121,588

Depreciation expense was charged to the Health & Welfare – Mental Health Program.

Due to Other Governmental Units

Due to other governmental units as of September 30, consist of the following:

	2007	2006
Department of Community Health - Inpatient Services	\$43,429	\$38,577
Department of Community Health – Cost Settlement	-	20,729
Summit Pointe	161,856	221,064
Totals	\$205,285	\$280,370

Accrued Wages and Other Payroll Liabilities

This liability represents amounts paid to employees during October that was earned during September. Also included are employer payroll taxes.

Barry County Community Mental Health Authority
Notes to the Financial Statements

Deferred Revenue

The amount reported as deferred revenue represents the carry forward allowance for the general fund portion of the Department of Community Health's authorization.

Long Term Liabilities - Compensated Absences

Authority policy allows full time employees to accumulate "paid time off" at various rates, depending on the employee's length of service with the Authority. Amounts accumulated up to a maximum accrual are to be paid to the employee and recognized as an expense either when compensated absences are used or upon termination of employment, provided the employee has worked for the Authority for at least one year. As of September 30, 2007 and 2006, this liability totaled \$155,624 and \$135,370 respectively.

Operating Leases

The Authority has entered into various operating leases for the use of real and personal property. Operating leases do not give rise to property rights or lease obligations, and therefore, the leased assets are not reflected in the government-wide financial statements.

The future minimum rental payments required under the operating leases that have initial or remaining noncancelable lease terms as of September 30, are as follows:

YEAR ENDING SEPTEMBER 30,	AMOUNT
2008	\$244,476
2009	40,746
2010	-
2011	-

Barry County Community Mental Health Authority
Notes to the Financial Statements

Employee Retirement Systems

Plan Description

The Authority participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all of the Authority's regular full-time employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Gabriel, Roeder, Smith & Company, One Towne Square, Suite 800, Southfield, Michigan 48076.

The most recent period for which actuarial data was available was for the year ended December 31, 2006. The Authority's payroll for the employees covered by the system for the year ended December 31, 2006 was \$1,806,423.

As of December 31, 2006, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	0
Active plan participants	51
Vested former members	5
Total	56

Funding Policy

Under the provisions of this plan, members contribute approximately 2% of annual compensation. If a member leaves the Authority or dies, without a retirement allowance or other benefit payable on his / her account, his / her accumulated contributions will be refunded to him / her, if living, or to his / her nominated beneficiary.

Benefit programs and provisions are established by the Retirement Board. All benefits vest after 10 years of service, except that benefits may vest after eight or six years of service if adopted by the municipality's governing body. The standard retirement age is 55 years; however, members may retire with several combinations of age and years of service and receive reduced early retirement benefits. Municipalities may adopt various other benefit programs which allow retirement at an earlier age with unreduced benefits based upon combinations of age and years of service, or just years of service. MERS also provides non-duty disability and death benefits to members after vesting requirements are met.

Barry County Community Mental Health Authority
Notes to the Financial Statements

Funding Status and Progress

The amount shown below as the “pension benefit obligation” is based on the standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and separate benefits, estimated to be payable in the future as a result of employee services to date. The measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the plan’s funding status of the system on a going-concern basis; (2) assess progress made in accumulating sufficient assets to pay benefits when due; and (3) make comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the plan.

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8.0% and (b) projected salary increases of 4.5% per year plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

At December 31, 2006, the assets were less than the pension benefit obligation by \$1,066,000, determined as follows:

GASB 25 Information	
Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	\$0
Terminated employees not yet receiving benefits	36,730
Non-vested terminated employees	8,300
Current Employees:	
Accumulated employee contributions including allocated investment income	120,786
Employer financed	2,889,201
Total actuarial accrued liability	3,055,017
Net assets available for benefits at actuarial value (market = \$2,016,841)	1,989,017
Unfunded actuarial accrued liability	\$1,066,000
GASB 27 Information	
Fiscal Year Beginning	April 1, 2008
Annual Required Contribution (ARC)	\$190,236
Amortization factor used – under-funded liabilities (29 years)	.054719

Barry County Community Mental Health Authority
Notes to the Financial Statements

Three year trend information follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Fund Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12-31-04	1,450,832	1,836,951	(386,119)	79%	1,325,847	29%
12-31-05	1,686,944	2,094,489	(407,545)	81%	1,435,566	29%
12-31-06	1,989,017	3,055,017	(1,066,000)	65%	1,806,423	60%

Compliance Audits

The Authority participates in various federal, state, and local grants for mental health and substance abuse programs. Certain provisions and allowable levels of participation and expenditures not qualifying for participation are subject to interpretation and adjustment by appropriate governmental agencies. State grants are subject to audit by responsible state agencies. Although these audits may result in some changes, they are not expected to have a material effect on the financial statements.

Risk Management

Michigan Municipal Risk Management Authority

The Authority participated in the public entity risk pool – Michigan Municipal Risk Management Authority (MMRMA) for auto and general liability, property and crime and vehicle physical damage coverage.

MMRMA, a separate legal entity, is a self-insured association organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to various Michigan governmental entities.

As a member of this pool, the Authority is responsible for paying all costs, including damages, indemnification, and allocated loss adjustment for each occurrence that falls within the member's self-insured retention (SIR). The Authority's SIR is between \$-0- and \$250. After the Authority's SIR and deductibles have been satisfied, MMRMA will be responsible for paying all remaining costs, including damages, indemnification, and allocated loss adjustment expenses to the limits of coverage stated below.

MMRMA's coverage limits are between \$0 and \$5,000,000 for liability, and between \$10,000 and \$300,000,000 for property and crime.

The contribution made by the Authority to the MMRMA was \$25,250 for the period July 1, 2007 to July 1, 2008.

Barry County Community Mental Health Authority
Notes to the Financial Statements

Risk Management – Internal Service Fund

During the September 30, 1998 fiscal year, the Authority authorized the establishment of an Internal Service Fund. This fund is used to cover the risk of overspending the Managed Care Specialty Services Program (MCSSP) contract. This contract provides for the use of Department of Community Health funding for the establishment of an Internal Service Fund, which is restricted to meet the expected future risk corridor requirements of the contract. Expenditures from the Internal Service Fund will occur when, in any one fiscal year, the Authority finds it necessary to expend more to provide services necessary to carry out the MCSSP contract requirements than revenue provided to the Authority by the contract.

Prior Period Adjustment

The following transactions were recognized in these financial statements as prior period adjustments:

Description	2007	2006
Adjustment to prior year cost settlement document filed with the Michigan Department of Community Health	\$5,840	\$2,070
Other	(2,669)	(280)
Totals	\$3,171	\$1,790

REQUIRED SUPPLEMENTAL INFORMATION



Barry County Community Mental Health Authority
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance Between Actual and Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State grants				
Department of Community Health Contract				
General Fund Formula and Categorical	\$1,759,455	\$1,759,455	\$1,697,761	(\$61,694)
Adult Benefit Waiver	161,280	161,280	133,995	(27,285)
Other state grants	137,787	137,787	154,874	17,087
Total state grants	<u>2,058,522</u>	<u>2,058,522</u>	<u>1,986,630</u>	<u>(71,892)</u>
Federal grants	<u>12,500</u>	<u>12,500</u>	<u>10,323</u>	<u>(2,177)</u>
Contributions - local units				
County appropriations	<u>154,500</u>	<u>154,500</u>	<u>154,500</u>	<u>-</u>
Charges for services				
Medicaid	3,578,575	3,578,575	3,411,903	(166,672)
Client and third party pay	81,650	81,650	115,655	34,005
Total charges for services	<u>3,660,225</u>	<u>3,660,225</u>	<u>3,527,558</u>	<u>(132,667)</u>
Interest and rents				
Interest	<u>31,200</u>	<u>31,200</u>	<u>36,382</u>	<u>5,182</u>
Other revenue				
Miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>70,167</u>	<u>64,167</u>
Total revenues	<u>5,922,947</u>	<u>5,922,947</u>	<u>5,785,560</u>	<u>(137,387)</u>
Expenditures				
Health & Welfare - Mental Health				
Personnel costs	2,787,735	2,787,735	2,883,191	(95,456)
Operating expenditures	2,849,226	2,849,226	2,744,902	104,324
Capital outlay	<u>-</u>	<u>-</u>	<u>26,677</u>	<u>(26,677)</u>
Total expenditures	<u>5,636,961</u>	<u>5,636,961</u>	<u>5,654,770</u>	<u>(17,809)</u>
Revenues over (under) expenditures	285,986	285,986	130,790	(155,196)
Other financing sources				
Operating transfers in - Internal Service Fund	<u>-</u>	<u>-</u>	<u>76,485</u>	<u>76,485</u>
Revenues and other sources over (under) expenditures and other uses	285,986	285,986	207,275	(78,711)
Fund balance, beginning of year	573,595	573,595	573,595	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>3,171</u>	<u>3,171</u>
Fund balance, end of year	<u>\$859,581</u>	<u>\$859,581</u>	<u>\$784,041</u>	<u>(\$75,540)</u>

See Accompanying Notes To Financial Statements

OTHER SUPPLEMENTAL INFORMATION



Barry County Community Mental Health Authority
Supporting Schedule of Personnel Costs
For the Years Ending September 30, 2007 and 2006

Governmental Fund Types

General Fund

	<u>2007</u>	<u>2006</u>
Personnel costs		
Salaries and wages	\$2,065,817	\$1,811,781
Fringe benefits	<u>817,374</u>	<u>669,994</u>
Total personnel costs	<u><u>\$2,883,191</u></u>	<u><u>\$2,481,775</u></u>

See Accompanying Notes To Financial Statements

Barry County Community Mental Health Authority
Supporting Schedule of Operating Expenditures
For the Years Ending September 30, 2007 and 2006

Governmental Fund Types

General Fund

	<u>2007</u>	<u>2006</u>
Operating expenditures		
Communications	\$19,093	\$18,592
Contractual services	1,764,605	1,783,910
Inpatient services	323,855	301,310
Insurance	22,616	22,152
Medicaid local draw down	62,208	62,208
Meetings and conferences	11,781	11,597
Other	9,403	8,736
Rents	253,096	313,729
Repairs and maintenance	36,428	34,827
Printing and publishing	8,504	11,073
Supplies	74,700	55,088
Travel and transportation	149,910	140,388
Utilities	8,703	8,007
	<hr/>	<hr/>
Total operating expenditures	<u>\$2,744,902</u>	<u>\$2,771,617</u>

See Accompanying Notes To Financial Statements



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Barry County Community Mental Health Authority
Hastings, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Barry County Community Mental Health Authority (the Authority) as of and for the year ended September 30, 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiency described as 2007-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above as 2007-1, is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated February 21, 2008.

Barry County Community Mental Health Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Roslund, Prestage & Co, PC".

Roslund, Prestage & Company, P.C.
Certified Public Accountants

February 21, 2008

Barry County Community Mental Health Authority Schedule of Findings and Responses

Finding 2007-1

Finding considered a significant deficiency

Effective for the year ended September 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

The annual financial statements for the year ended September 30, 2007, required relatively few audit adjustments, most of which the staff were aware needed to be recorded. The staff of the Authority does understand all information included in the annual financial statements; however, we assist in preparing the footnotes to the annual financial statements. We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.



MANAGEMENT LETTER

Board of Directors
Barry County Community Mental Health Authority
Hastings, Michigan

In planning and performing our audit of the financial statements for Barry County Community Mental Health Authority for the fiscal year ended September 30, 2007, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This letter does not affect our audit report dated February 21, 2008, on the financial statements of Barry County Community Mental Health Authority.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

A handwritten signature in black ink that reads 'Roslund, Prestage & Co, PC'.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

February 21, 2008

STATUS OF PRIOR YEAR RECOMMENDATIONS

During the audit we were pleased to note that the recommendations identified in the management letter from the prior year had been implemented. We commend you on your efforts to strengthen internal controls and operating efficiencies.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

Statement on Auditing Standards (SAS) Numbers 104-111

During the 2006 year, the AICPA's Auditing Standards Board (ASB) issued eight new statements on auditing standards relating to the assessment of risk in a financial statement audit. These statements will be effective for the September 30, 2008 audit of Barry County Community Mental Health Authority and their objective is to enhance auditor's application of the audit risk model in their approach to the audit. These statements provide additional guidance on the planning and supervision of the audit, the nature of audit evidence, and determining whether the audit evidence obtained provides a reasonable basis for an opinion on the financial statements. Specifically, these standards require the auditor to:

- Obtain a more in-depth understanding of the entity and its environment, including internal controls, to identify the risks of material misstatement in the financial statements and what the entity is doing to mitigate those risks.
- Acquire a more thorough assessment of the risks of material misstatement of the financial statements based on that understanding.
- Apply the understanding of assessed risks to the audit; specifically creating a link between the assessed risk and the nature, timing, and extent of audit procedures performed.

With the implementation of these new standards, our approach to the audit of Barry County Community Mental Health Authority for the 2008 fiscal year will bring about new audit processes and may require us to obtain additional audit evidence beyond what we have obtained in the past as it relates to understanding Barry County Community Mental Health Authority and its environment. We would be happy to discuss these new standards with you in more detail at any time and encourage you to review your internal control structure over the next year in anticipation of these changes.

Physical Inventories of Capital Assets

The Office of Management and Budget (OMB) Circular A–87, “Cost Principles for State, Local, and Indian Tribal Governments,” establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments.

The *Depreciation and Use Allowance* section of the Circular states that physical inventories must be taken at least once every two years to ensure that assets exist and are in use (Appendix B, Section 11 h).

We recommend management adhere to the above to ensure that only active, in-service capital assets are included on the Authority’s financial statements. This will ensure that capital assets are properly stated and that depreciation is being calculated from a reliable listing. Such physical counts will also help detect the loss or unauthorized use of valuable property.